

# Quarterly Report

## Q1 2018

26 April 2018

ASSA ABLOY

The global leader in  
door opening solutions

## A good start to the year

### First quarter

- Net sales increased by 2% to SEK 18,550 M (18,142), with organic growth of 4% (6) and acquired net growth of 2% (3)
- Strong growth was shown by Global Technologies and Entrance Systems and good growth by Asia Pacific, EMEA and Americas
- Operating income (EBIT) increased by 2% and amounted to SEK 2,829 M (2,787), corresponding to an operating margin of 15.3% (15.4)
- Net income amounted to SEK 1,964 M (1,918)
- Earnings per share amounted to SEK 1.77 (1.73)
- Operating cash flow amounted to SEK 575 M (824).

Organic growth

+4%

Operating income

+2%

Earnings per share

+2%

## Sales and income

	Full year			First quarter		
	2016	2017	Δ	2017	2018	Δ
<b>Sales, SEK M</b>	<b>71,293</b>	<b>76,137</b>	<b>7%</b>	<b>18,142</b>	<b>18,550</b>	<b>2%</b>
Of which:						
Organic growth	1,428	2,834	4%	1,022	705	4%
Acquisitions and divestments	1,967	1,753	2%	448	268	2%
Exchange-rate effects	-201	257	1%	780	-565	-4%
<b>Operating income<sup>1)</sup> (EBIT), SEK M</b>	<b>11,254</b>	<b>12,341</b>	<b>10%</b>	<b>2,787</b>	<b>2,829</b>	<b>2%</b>
Operating margin <sup>1)</sup> (EBITA), %	16.1%	16.5%		15.6%	15.7%	
<b>Operating margin<sup>1)</sup> (EBIT), %</b>	<b>15.8%</b>	<b>16.2%</b>		<b>15.4%</b>	<b>15.3%</b>	
Income before tax <sup>1)</sup> , SEK M	10,549	11,673	11%	2,593	2,654	2%
Net income <sup>1)</sup> , SEK M	7,874	8,635	10%	1,918	1,964	2%
Operating cash flow, SEK M	10,467	10,929	4%	824	575	-30%
<b>Earnings per share<sup>1)</sup>, SEK</b>	<b>7.09</b>	<b>7.77</b>	<b>10%</b>	<b>1.73</b>	<b>1.77</b>	<b>2%</b>

<sup>1)</sup> Excluding costs for a new restructuring program for the full year 2016, totaling SEK -1,597 M before tax, corresponding to SEK -1,221 M after tax.

## Comments by the President and CEO

### A good start to the year

The year took off with good organic growth of 4% in the first quarter, despite the negative calendar effect of two trading days less due to an early Easter. We achieved strong or good growth in all divisions. Global Technologies and Entrance Systems reported strong organic growth of 6% and 5% respectively. EMEA and Americas reported 3% organic growth and Asia Pacific reported 4%. Our new products contributed strongly, with high demand for electromechanical locks and for access control solutions.

The first quarter's operating income increased by 2% year-on-year and amounted to SEK 2,829 M, corresponding to an operating margin of 15.3%. The Group's underlying margin improved but was diluted by the acquisitions.

Operating cash flow was seasonally low totaling SEK 575 M for the quarter. We are continuing to focus on cost-efficiency and to deliver on our current restructuring program and, as previously communicated, we expect to announce a new program by the end of 2018.

### First impressions

I spent my first months at ASSA ABLOY on the move, visiting the different Group locations to meet our people, our partners and our customers as well as to get acquainted with the sites, the corporate culture and the business. So far, I have visited 18 of our main locations and I am impressed by the competence, the innovation capacity and the technology driven culture. There have been several changes in ASSA ABLOY's executive team over the last 12 months. I am convinced that we have a strong team in place, equipped with energy and ambition to continue the Group's successful journey. I am both eager and humble in taking on the mission to further develop ASSA ABLOY.

### Strong market position

As the new CEO, it is very encouraging to see our strong market position. Product and innovation leadership, backed by the largest installed base of door opening solutions in the world, gives us a very strong platform to grow from. I am confident that we will create new business opportunities through our new products and solutions, and that we have seen only the initial phase of the market transition and technology shift from mechanical solutions to digital, connected products and services.

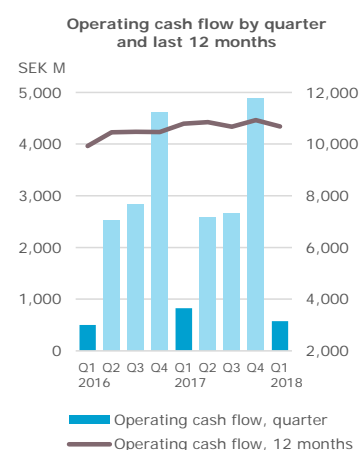
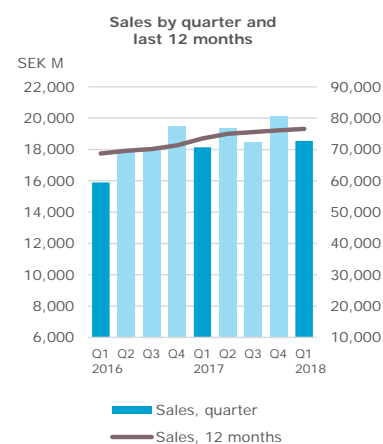
### Strategic direction

ASSA ABLOY's strategy, with focus on market presence, product leadership and cost efficiency, has been very successful for many years. In combination with a strong acquisition agenda, this strategy has generated significant long-term value. I look forward to further developing this successful strategy together with my colleagues.

Stockholm, 26 April 2018



Nico Delvaux  
President and CEO



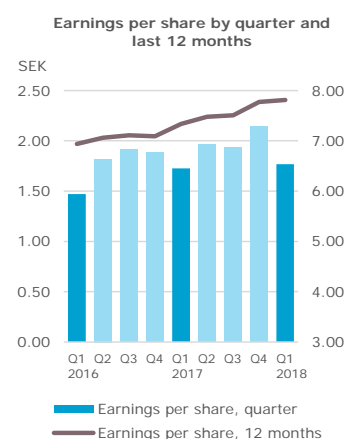
## First quarter

The Group's sales increased by 2% to SEK 18,550 M (18,142). Organic growth amounted to 4% (6). Acquisitions and divestments were 2% (3), of which 3% (3) were acquisitions and -1% (0) were divestments. Exchange-rates affected sales by -4% (5).

The Group's operating income, EBIT amounted to SEK 2,829 M (2,787) an increase of 2%. The operating margin was 15.3% (15.4). Operating income before amortizations from acquisitions, EBITA amounted to SEK 2,921 M (2,839). The corresponding EBITA margin was 15.7% (15.6).

Net financial items amounted to SEK -175 M (-195). The Group's income before tax was SEK 2,654 M (2,593), an increase of 2% compared with last year. Exchange-rates had an impact of SEK -80 M (126) on income before tax. The profit margin was 14.3% (14.3).

The estimated effective tax rate on an annual basis was 26% (26). Earnings per share amounted to SEK 1.77 (1.73), an increase of 2% compared to last year.



## Restructuring measures

Payments related to all restructuring programs amounted to SEK 173 M (84) in the quarter. The restructuring programs proceeded according to plan and led to a reduction in personnel of 508 people during the quarter and 14,072 people since the projects began in 2006. At the end of the quarter provisions of SEK 795 M remained in the balance sheet for carrying out the programs.

The planning of a new restructuring program has begun. The launch is scheduled for the fourth quarter and the program is expected to take place over a period of three years. The cost of the restructuring is estimated to be in line with previous programs, with a payback time of around three years.

## Organization

Lucas Boselli has been appointed Executive Vice President and Head of Americas Division with effect from 2 April 2018. He succeeds Thanasis Molokotos, who has decided to leave the group. Lucas Boselli has worked at ASSA ABLOY since 2010 and in recent years has held the position of Head of ASSA ABLOY Central and South America in the Americas Division. Lucas Boselli is an engineer and holds a degree from Virginia Polytechnic Institute and State University in the USA.

## Comments by division

### EMEA

Sales for the quarter in EMEA division totaled SEK 4,775 M (4,404), with organic growth of 3% (5). Growth was strong in the UK, France and Eastern Europe, and was good in Scandinavia and Germany. Finland, Southern Europe and Africa/Middle East also showed growth while Benelux had negative sales development. Electromechanical products showed strong growth, and demand was especially strong for smart door locks for the private residential market. Acquired growth net was 3%. Operating income totaled SEK 764 M (718), which represents an operating margin (EBIT) of 16.0% (16.3).

Return on capital employed amounted to 20.0% (20.0). Operating cash flow before interest paid totaled SEK 262 M (387).

## Americas

Sales for the quarter in Americas division totaled SEK 4,354 M (4,566), with organic growth of 3% (7). Growth was strong for Electromechanical and High-security products, the Private residential market in the USA and for Canada. Good growth was shown by Perimeter Security, Mexico and South America apart from Brazil and Colombia. Traditional lock products also showed growth while Security Doors, Brazil and Colombia had negative sales development. Acquired growth was 1%. Operating income totaled SEK 845 M (961), which represents an operating margin (EBIT) of 19.4% (21.0). Return on capital employed amounted to 21.0% (24.2). Operating cash flow before interest paid totaled SEK 241 M (197).

## Asia Pacific

Sales for the quarter in Asia Pacific division totaled SEK 1,959 M (1,917), with organic growth of 4% (3). Strong growth was achieved in South Korea and Japan, and sales were stable in Pacific and South Asia. Sales in China showed growth for lock products while sales of doors continued to decrease. Smart door-locks grew strongly in the region. Acquired growth was 1%. Operating income totaled SEK 154 M (151), which represents an operating margin (EBIT) of 7.9% (7.9). Return on capital employed amounted to 4.9% (5.0). Operating cash flow before interest paid totaled SEK –158 M (–154).

## Global Technologies

Sales for the quarter in Global Technologies division totaled SEK 2,477 M (2,481), with organic growth of 6% (9). Physical Access control and Identification technology had strong growth within HID Global, Secure issuance showed growth while Citizen ID and Logical access had negative sales development. Hospitality showed continued strong growth. Sales of mobile key solutions continued strongly. Acquired growth net was –1%. Operating income totaled SEK 466 M (422), which represents an operating margin (EBIT) of 18.8% (17.0). Return on capital employed amounted to 11.6% (14.6). Operating cash flow before interest paid totaled SEK 201 M (57).

## Entrance Systems

Sales for the quarter in Entrance Systems division totaled SEK 5,322 M (5,087), with organic growth of 5% (7). High-speed doors, US Garage doors, Door components and Solutions for warehouses and logistics in the USA showed strong growth. Pedestrian doors had good growth and Industrial doors showed growth. EU residential doors showed negative sales growth. Acquired growth was 2%. Operating income totaled SEK 710 M (638), which represents an operating margin (EBIT) of 13.3% (12.5). Return on capital employed amounted to 14.5% (13.3). Operating cash flow before interest paid totaled SEK 379 M (660).

## Acquisitions and divestments

A total of four acquisitions were consolidated during the quarter. The combined acquisition price for these companies, including adjustments from prior year acquisitions, amounted to SEK 1,156 M. The acquisition price for these companies on a cash and debt free basis amounted to SEK 1,050 M.

Preliminary acquisition analyses indicate that goodwill and other intangible assets with indefinite useful life amount to SEK 854 M. Estimated deferred considerations amounted to SEK 221 M.

## Sustainable development

ASSA ABLOY's Sustainability Report for 2017 was published on 21 March 2018 and the report shows that key indicators continue to improve.

The increased focus on Health and Safety has led to a 20% decrease in the injury rate. The Group's total greenhouse-gas emissions fell by 6% during 2017, driven by new production technologies and efficiency improvements. Water consumption in relation to the activities of the business was reduced by 12% during the year. The number of entities covered by ISO 14001 or other certifiable environmental management systems increased from 124 to 131, which means that the system covers 79% of employees in the Group's factories. ASSA ABLOY had 276 Environmental Product Declarations verified and published by the end of 2017.

## Parent company

Other operating income for the Parent company ASSA ABLOY AB totaled SEK 431 M (498) for the interim period. Operating income for the same period amounted to SEK -261 M (-91). Investments in tangible and intangible assets totaled SEK 12 M (5). Liquidity is good and the equity ratio is 41.5% (45.8).

## Accounting principles

ASSA ABLOY applies International Financial Reporting Standards (IFRS) as endorsed by the European Union. Significant accounting and valuation principles are detailed on pages 68-73 of the 2017 Annual Report. This Report was prepared in accordance with IAS 34 'Interim Financial Reporting' and the Annual Accounts Act. The Interim Report for the Parent company was prepared in accordance with the Annual Accounts Act and RFR 2 'Reporting by a Legal Entity'.

The Group applies IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers as of 1 January 2018.

IFRS 9 addresses classification, measurement and recognition of financial liabilities and assets and replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. With IFRS 9 a new impairment model is being implemented, based on expected credit losses rather than incurred losses. For the Group, the new model will entail a new procedure for measurement of credit losses, the standard will however have no material impact on the Group's performance and financial position.

IFRS 15 supersedes IAS 11 Construction contracts and IAS 18 Revenue and includes a new single model for revenue recognition related to customer contracts. The standard introduces a five-step model that requires revenue to be recognized when a performance obligation is met as control over goods and services are transferred to the customer. The goods or service is transferred as control over the asset is transferred to the customer, which is either over time or at a point in time. The Group's previous revenue recognition practices are essentially in accordance with IFRS 15 why the new standard will have no

impact on the Group's performance and financial position, however additional information on disaggregated revenue has been disclosed in note 1.

Since IFRS 9 and IFRS 15 have no material impacts on the financial reports, no new opening balance is presented in 2018.

IFRS 16 will apply to the accounting year that begins on 1 January 2019. Earlier application is permitted but the Group has chosen not to take up this option.

ASSA ABLOY makes use of a number of financial performance measures that are not defined in the reporting rules that the company uses – so-called 'alternative performance measures'. For definitions of financial performance measures, refer to Page 16 of this Quarterly Report and to the company's latest Annual Report. To check how the financial measurements have been calculated for current and earlier periods, refer to the tabulated figures in this Quarterly Report and to the company's Annual Report. The Annual Reports for the years 1994 to 2017 appear on the company's website [www.assaabloy.com](http://www.assaabloy.com).

Totals quoted in tables and statements may not always be the exact sum of the individual items because of rounding differences. The aim is that each line item should correspond to its source, and rounding differences may therefore arise.

## Transactions with related parties

No transactions that significantly affected the company's position and income have taken place between ASSA ABLOY and related parties.

## Risks and uncertainty factors

As an international Group with a wide geographic spread, ASSA ABLOY is exposed to a number of business, financial and tax-related risks. The business risks can be divided into strategic, operational and legal risks. The financial risks are related to such factors as exchange rates, interest rates, liquidity, the giving of credit, raw materials and financial instruments. Risk management in ASSA ABLOY aims to identify, control and reduce risks. This work begins with an assessment of the probability of risks occurring and their potential effect on the Group. For a more detailed description of particular risks and risk management, see the 2017 Annual Report.

## Review

The Company's Auditors have not carried out any review of this Report for the first quarter of 2018.

Stockholm, 26 April 2018

Nico Delvaux  
President and CEO

## Financial information

The Interim Report for the second quarter will be published on 18 July 2018.

The Interim Report for the third quarter will be published on 19 October 2018.

## Further information can be obtained from:

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ASSA ABLOY is holding an **analysts' meeting at 10.00 today**  
at Operaterrassen in Stockholm, Sweden.

The analysts' meeting can also be followed on the Internet at [www.assaabloy.com](http://www.assaabloy.com).

It is possible to submit questions by telephone on:

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*This information is information that ASSA ABLOY AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 08.00 CEST on 26 April 2018.*

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No.07/2018

## Financial information – Group

### CONSOLIDATED INCOME STATEMENT

SEK M	Year	Q1	
	2017	2017	2018
Sales	76,137	18,142	18,550
Cost of goods sold	-46,148	-10,951	-11,178
<b>Gross income</b>	<b>29,988</b>	<b>7,190</b>	<b>7,372</b>
Selling, administrative and R&D costs	-17,777	-4,431	-4,575
Share of earnings in associates	129	28	32
<b>Operating income</b>	<b>12,341</b>	<b>2,787</b>	<b>2,829</b>
Finance net	-668	-195	-175
<b>Income before tax</b>	<b>11,673</b>	<b>2,593</b>	<b>2,654</b>
Tax on income	-3 038	-674	-690
<b>Net income for the period</b>	<b>8,635</b>	<b>1,918</b>	<b>1,964</b>
<b>Net income for the period attributable to:</b>			
Parent company's shareholders	8,633	1,919	1,964
Non-controlling interests	2	0	0
<b>Earnings per share</b>			
Before and after dilution, SEK	7.77	1.73	1.77

### STATEMENT OF COMPREHENSIVE INCOME

SEK M	Year	Q1	
	2017	2017	2018
<b>Net income for the period</b>	<b>8,635</b>	<b>1,918</b>	<b>1,964</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial gain/loss on post-employment benefit obligations, net after tax	-51	23	26
<b>Total</b>	<b>-51</b>	<b>23</b>	<b>26</b>
<b>Items that may be reclassified subsequently to profit or loss</b>			
Share of other comprehensive income of associates	50	39	103
Cashflow hedges and net investment hedges	26	-10	-17
Exchange rate differences	-1,864	-165	1,202
<b>Total</b>	<b>-1,788</b>	<b>-136</b>	<b>1,288</b>
<b>Total comprehensive income for the period</b>	<b>6,796</b>	<b>1,806</b>	<b>3,278</b>
<b>Total comprehensive income for the period attributable to:</b>			
Parent company's shareholders	6,794	1,806	3,278
Non-controlling interests	2	0	0



## Financial information – Group

CONSOLIDATED BALANCE SHEET	31 Dec	31 Mar	
	2017	2017	2018
<b>SEK M</b>			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	61,409	57,001	63,614
Property, plant and equipment	8,065	8,031	8,362
Investments in associates	2,243	2,176	2,385
Other financial assets	227	88	169
Deferred tax assets	1,355	1,763	2,012
<b>Total non-current assets</b>	<b>73,299</b>	<b>69,060</b>	<b>76,540</b>
<b>Current assets</b>			
Inventories	9,430	10,009	10,363
Trade receivables	13,068	12,800	13,596
Other current receivables and investments	3,188	3,536	3,817
Cash and cash equivalents	459	697	551
<b>Total current assets</b>	<b>26,145</b>	<b>27,043</b>	<b>28,327</b>
<b>TOTAL ASSETS</b>	<b>99,444</b>	<b>96,103</b>	<b>104,867</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity attributable to Parent company's shareholders	50,648	48,989	53,911
Non-controlling interests	9	4	9
<b>Total equity</b>	<b>50,657</b>	<b>48,994</b>	<b>53,920</b>
<b>Non-current liabilities</b>			
Long-term loans	16,859	16,232	18,425
Deferred tax liabilities	2,218	2,261	2,843
Other non-current liabilities and provisions	5,217	6,357	5,164
<b>Total non-current liabilities</b>	<b>24,293</b>	<b>24,850</b>	<b>26,433</b>
<b>Current liabilities</b>			
Short-term loans	6,151	4,780	6,559
Trade payables	7,811	6,695	7,106
Other current liabilities and provisions	10,531	10,783	10,850
<b>Total current liabilities</b>	<b>24,494</b>	<b>22,259</b>	<b>24,515</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>99,444</b>	<b>96,103</b>	<b>104,867</b>

CHANGES IN CONSOLIDATED EQUITY	Equity attributable to:		
	Parent company's shareholders	Non-controlling interests	Total equity
<b>SEK M</b>			
<b>Opening balance 1 January 2017</b>	<b>47,220</b>	<b>5</b>	<b>47,224</b>
Net income for the period	1,919	0	1,918
Other comprehensive income	-113	0	-113
<b>Total comprehensive income</b>	<b>1,806</b>	<b>0</b>	<b>1,806</b>
Stock purchase plans	-36	-	-36
<b>Total transactions with shareholders</b>	<b>-36</b>	<b>-</b>	<b>-36</b>
<b>Closing balance 31 March 2017</b>	<b>48,989</b>	<b>4</b>	<b>48,994</b>
<b>Opening balance 1 January 2018</b>	<b>50,648</b>	<b>9</b>	<b>50,657</b>
Net income for the period	1,964	0	1,964
Other comprehensive income	1,314	0	1,314
<b>Total comprehensive income</b>	<b>3,278</b>	<b>0</b>	<b>3,278</b>
Stock purchase plans	-16	-	-16
<b>Total transactions with shareholders</b>	<b>-16</b>	<b>-</b>	<b>-16</b>
<b>Closing balance 31 March 2018</b>	<b>53,911</b>	<b>9</b>	<b>53,920</b>

## Financial information – Group

CONSOLIDATED STATEMENT OF CASH FLOWS	Year		Q1	
	2017	2017	2017	2018
<b>SEK M</b>				
<b>OPERATING ACTIVITIES</b>				
Operating income	12,341	2,787		2,829
Depreciation and amortization	1,688	421		468
Restructuring payments	-612	-84		-173
Other non-cash items	-221	-36		-107
<b>Cash flow before interest and tax</b>	<b>13,196</b>	<b>3,089</b>		<b>3,017</b>
Interest paid and received	-557	-93		-122
Tax paid on income	-3,044	-629		-609
<b>Cash flow before changes in working capital</b>	<b>9,595</b>	<b>2,366</b>		<b>2,286</b>
Changes in working capital	-347	-1,882		-2,136
<b>Cash flow from operating activities</b>	<b>9,248</b>	<b>483</b>		<b>150</b>
<b>INVESTING ACTIVITIES</b>				
Net investments in intangible assets and property, plant and equipment	-1,975	-373		-356
Investments in subsidiaries	-6,825	-445		-967
Investments in associates	0	0		0
Disposals of subsidiaries	139	1		-11
Other investments and disposals	0	0		0
<b>Cash flow from investing activities</b>	<b>-8,661</b>	<b>-817</b>		<b>-1,334</b>
<b>FINANCING ACTIVITIES</b>				
Dividends	-3,332	-		-
Acquisition of non-controlling interests	-130	-		-
Net cash effect of changes in borrowings	2,601	282		1,270
<b>Cash flow from financing activities</b>	<b>-861</b>	<b>282</b>		<b>1,270</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>-274</b>	<b>-51</b>		<b>87</b>
<b>CASH AND CASH EQUIVALENTS</b>				
<b>Cash and cash equivalents at beginning of period</b>	<b>750</b>	<b>750</b>		<b>459</b>
Cash flow for the period	-274	-51		87
Effect of exchange rate differences	-17	-1		6
<b>Cash and cash equivalents at end of period</b>	<b>459</b>	<b>697</b>		<b>551</b>
<b>KEY RATIOS</b>				
	<b>Year</b>	<b>Q1</b>		
	<b>2017</b>	<b>2017</b>	<b>2018</b>	
Return on capital employed, %	16.6	15.1	14.2	
Return on shareholders' equity, %	17.6	16.0	15.0	
Equity ratio, %	50.9	51.0	51.4	
Interest coverage ratio, times	19.1	16.8	16.6	
Total number of shares, thousands	1,112,576	1,112,576	1,112,576	
Number of shares outstanding, thousands	1,110,776	1,110,776	1,110,776	
Weighted average number of outstanding shares before and after dilution, thousands	1,110,776	1,110,776	1,110,776	
Average number of employees	47,426	46,769	47,910	

## Financial information – Parent company

### INCOME STATEMENT

	Year	Q1	
SEK M	2017	2017	2018
Operating income	1,701	-91	-261
Income before appropriations and tax	4,238	-64	-162
Net income for the period	4,670	133	-86

### BALANCE SHEET

	31 Dec	31 Mar	
SEK M	2017	2017	2018
Non-current assets	39,579	35,780	39,936
Current assets	12,740	10,732	13,997
<b>Total assets</b>	<b>52,319</b>	<b>46,512</b>	<b>53,934</b>
Equity	22,494	21,287	22,393
Untaxed reserves	565	-	565
Non-current liabilities	10,581	8,384	12,062
Current liabilities	18,679	16,841	18,914
<b>Total equity and liabilities</b>	<b>52,319</b>	<b>46,512</b>	<b>53,934</b>

## Quarterly information – Group

THE GROUP IN SUMMARY		Q1	Q2	Q3	Q4	Year	Q1	Last 12
SEK M		2017	2017	2017	2017	2017	2018	months
Sales		18,142	19,387	18,499	20,109	76,137	18,550	76,545
Organic growth		6%	2%	3%	5%	4%		
<b>Gross income</b>		<b>7,190</b>	<b>7,581</b>	<b>7,293</b>	<b>7,924</b>	<b>29,988</b>	<b>7,372</b>	<b>30,170</b>
Gross margin		39.6%	39.1%	39.4%	39.4%	39.4%	39.7%	39.4%
<b>Operating income before depr. &amp; amort. (EBITDA)</b>		<b>3,208</b>	<b>3,543</b>	<b>3,488</b>	<b>3,789</b>	<b>14,029</b>	<b>3,297</b>	<b>14,118</b>
Operating margin (EBITDA)		17.7%	18.3%	18.9%	18.8%	18.4%	17.8%	18.4%
Depreciation and amortization excl. amortization attributable to business combinations		-370	-376	-355	-344	-1,444	-376	-1,451
<b>Operating income before amortization (EBITA)</b>		<b>2,839</b>	<b>3,168</b>	<b>3,132</b>	<b>3,446</b>	<b>12,584</b>	<b>2,921</b>	<b>12,667</b>
Operating margin (EBITA)		15.6%	16.3%	16.9%	17.1%	16.5%	15.7%	16.5%
Amortization attributable to business combinations		-52	-54	-52	-87	-244	-92	-284
<b>Operating income (EBIT)</b>		<b>2,787</b>	<b>3,114</b>	<b>3,080</b>	<b>3,359</b>	<b>12,341</b>	<b>2,829</b>	<b>12,383</b>
Operating margin (EBIT)		15.4%	16.1%	16.7%	16.7%	16.2%	15.3%	16.2%
Net financial items		-195	-170	-171	-133	-668	-175	-648
<b>Income before tax (EBT)</b>		<b>2,593</b>	<b>2,944</b>	<b>2,910</b>	<b>3,226</b>	<b>11,673</b>	<b>2,654</b>	<b>11,734</b>
Profit margin (EBT)		14.3%	15.2%	15.7%	16.0%	15.3%	14.3%	15.3%
Tax on income		-674	-765	-757	-842	-3,038	-690	-3,054
<b>Net income for the period</b>		<b>1,918</b>	<b>2,179</b>	<b>2,153</b>	<b>2,385</b>	<b>8,635</b>	<b>1,964</b>	<b>8,681</b>
<b>Net income attributable to:</b>								
Parent company's shareholders		1,919	2,178	2,153	2,384	8,633	1,964	8,679
Non-controlling interests		0	1	1	1	2	0	2
<b>OPERATING CASH FLOW</b>		<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Year</b>	<b>Q1</b>	<b>Last 12</b>
<b>SEK M</b>		<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>	<b>months</b>
Operating income (EBIT)		2,787	3,114	3,080	3,359	12,341	2,829	12,383
Depreciation and amortization		421	429	407	430	1,688	468	1,735
Net capital expenditure		-373	-593	-448	-561	-1,975	-356	-1,958
Change in working capital		-1,882	-207	-319	2,061	-347	-2,136	-601
Interest paid and received		-93	-198	-77	-189	-557	-122	-586
Non-cash items		-36	28	11	-224	-221	-107	-292
<b>Operating cash flow</b>		<b>824</b>	<b>2,575</b>	<b>2,654</b>	<b>4,876</b>	<b>10,929</b>	<b>575</b>	<b>10,680</b>
Operating cash flow/Income before tax		0.32	0.87	0.91	1.51	0.94	0.22	0.91
<b>CHANGE IN NET DEBT</b>		<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Year</b>	<b>Q1</b>	
<b>SEK M</b>		<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>	
Net debt at beginning of period		23,127	23,339	24,970	25,180	23,127	25,275	
Operating cash flow		-824	-2,575	-2,654	-4,876	-10,929	-575	
Restructuring payments		84	136	106	286	612	173	
Tax paid on income		629	961	1,656	-203	3,044	609	
Acquisitions and divestments		461	268	1,741	4,319	6,790	986	
Dividend		-	3,332	-	-	3,332	-	
Actuarial gain/loss on post-employment benefit obligations		-34	99	-50	-40	-26	-35	
Exchange rate differences, etc.		-104	-590	-590	608	-676	787	
<b>Net debt at end of period</b>		<b>23,339</b>	<b>24,970</b>	<b>25,180</b>	<b>25,275</b>	<b>25,275</b>	<b>27,219</b>	
Net debt/Equity		0.48	0.54	0.53	0.50	0.50	0.50	
<b>NET DEBT</b>		<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>		<b>Q1</b>	
<b>SEK M</b>		<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>		<b>2018</b>	
Non-current interest-bearing receivables		-41	-39	-212	-171		-113	
Current interest-bearing investments including derivatives		-113	-211	-161	-150		-277	
Cash and cash equivalents		-697	-844	-440	-459		-551	
Pension provisions		3,058	3,109	2,929	2,933		2,971	
Other non-current interest-bearing liabilities		16,232	17,450	16,728	16,859		18,425	
Current interest-bearing liabilities including derivatives		4,901	5,505	6,336	6,263		6,763	
<b>Total</b>		<b>23,339</b>	<b>24,970</b>	<b>25,180</b>	<b>25,275</b>		<b>27,219</b>	
<b>CAPITAL EMPLOYED AND FINANCING</b>		<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>		<b>Q1</b>	
<b>SEK M</b>		<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>		<b>2018</b>	
Capital employed		72,333	71,349	72,477	75,932		81,139	
- of which goodwill		47,438	46,252	46,573	50,330		51,956	
- of which other intangible assets and property, plant and equipment		17,595	17,309	17,032	19,144		20,019	
- of which investments in associates		2,176	2,193	2,147	2,243		2,385	
Net debt		23,339	24,970	25,180	25,275		27,219	
Non-controlling interests		4	5	5	9		9	
Equity attributable to the Parent company's shareholders		48,989	46,374	47,292	50,648		53,911	
<b>DATA PER SHARE</b>		<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Year</b>	<b>Q1</b>	
<b>SEK</b>		<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>	
Earnings per share before and after dilution		1.73	1.96	1.94	2.15	7.77	1.77	
Shareholders' equity per share after dilution		44.10	41.75	42.58	45.60	45.60	48.53	

## Reporting by division

Q1 and 31 Mar	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
<b>SEK M</b>														
Sales, external	4,325	4,696	4,546	4,336	1,750	1,763	2,463	2,455	5,057	5,300	0	0	18,142	18,550
Sales, internal	80	79	20	18	167	196	18	21	29	23	-314	-337	-	-
<b>Sales</b>	<b>4,404</b>	<b>4,775</b>	<b>4,566</b>	<b>4,354</b>	<b>1,917</b>	<b>1,959</b>	<b>2,481</b>	<b>2,477</b>	<b>5,087</b>	<b>5,322</b>	<b>-314</b>	<b>-337</b>	<b>18,142</b>	<b>18,550</b>
Organic growth	5%	3%	7%	3%	3%	4%	9%	6%	7%	5%	-	-	6%	4%
Share of earnings in associates	-	-	-	-	6	6	-	-	23	26	-	-	28	32
<b>Operating income (EBIT)</b>	<b>718</b>	<b>764</b>	<b>961</b>	<b>845</b>	<b>151</b>	<b>154</b>	<b>422</b>	<b>466</b>	<b>638</b>	<b>710</b>	<b>-103</b>	<b>-111</b>	<b>2,787</b>	<b>2,829</b>
Operating margin (EBIT)	16.3%	16.0%	21.0%	19.4%	7.9%	7.9%	17.0%	18.8%	12.5%	13.3%	-	-	15.4%	15.3%
Capital employed	13,507	15,310	16,165	16,637	12,106	13,060	11,502	16,564	18,473	19,303	580	265	72,333	81,139
- of which goodwill	8,361	9,346	10,862	10,935	7,929	8,054	8,557	11,727	11,728	11,894	-	-	47,438	51,956
- of which other intangible assets and property, plant and equipment	3,256	3,769	3,479	3,720	3,917	3,911	2,563	4,092	4,254	4,380	125	148	17,595	20,019
- of which investments in associates	9	9	-	-	545	558	-	17	1,623	1,800	-	-	2,176	2,385
Return on capital employed	20.0%	20.0%	24.2%	21.0%	5.0%	4.9%	14.6%	11.6%	13.3%	14.5%	-	-	15.1%	14.2%
Operating income (EBIT)	718	764	961	845	151	154	422	466	638	710	-103	-111	2,787	2,829
Depreciation and amortization	107	112	86	87	76	78	78	119	69	68	4	5	421	468
Net capital expenditure	-71	-76	-96	-72	-85	-56	-70	-60	-45	-79	-6	-12	-373	-356
Change in working capital	-368	-538	-754	-618	-296	-334	-374	-324	-2	-320	-89	-3	-1,882	-2,136
<b>Cash flow</b>	<b>387</b>	<b>262</b>	<b>197</b>	<b>241</b>	<b>-154</b>	<b>-158</b>	<b>57</b>	<b>201</b>	<b>660</b>	<b>379</b>	<b>-194</b>	<b>-122</b>	<b>953</b>	<b>805</b>
Non-cash items											-36	-107	-36	-107
Interest paid and received											-93	-122	-93	-122
<b>Operating cash flow</b>													<b>824</b>	<b>575</b>
Average number of employees	10,913	11,587	8,898	8,902	11,508	11,316	4,083	4,524	11,101	11,302	266	280	46,769	47,910

## Reporting by division

Year and 31 Dec

SEK M	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Sales, external	16,535	17,729	16,963	17,873	8,491	8,553	9,619	10,301	19,685	21,681	0	0	71,293	76,137
Sales, internal	302	351	81	67	698	658	78	72	104	100	-1,262	-1,249	-	-
<b>Sales</b>	<b>16,837</b>	<b>18,081</b>	<b>17,044</b>	<b>17,940</b>	<b>9,189</b>	<b>9,211</b>	<b>9,697</b>	<b>10,373</b>	<b>19,789</b>	<b>21,781</b>	<b>-1,262</b>	<b>-1,249</b>	<b>71,293</b>	<b>76,137</b>
Organic growth	3%	4%	5%	4%	-9%	0%	3%	7%	4%	4%	-	-	2%	4%
Share of earnings in associates	-	-	-	-	23	25	-	-	104	104	-	-	127	129
<b>Operating income (EBIT) excl. items affecting comparability</b>	<b>2,722</b>	<b>2,990</b>	<b>3,640</b>	<b>3,815</b>	<b>787</b>	<b>934</b>	<b>1,752</b>	<b>1,946</b>	<b>2,753</b>	<b>3,087</b>	<b>-401</b>	<b>-432</b>	<b>11,254</b>	<b>12,341</b>
Operating margin (EBIT) excl. items affecting comparability	16.2%	16.5%	21.4%	21.3%	8.6%	10.1%	18.1%	18.8%	13.9%	14.2%	-	-	15.8%	16.2%
Items affecting comparability <sup>1)</sup>	-781	-	-34	-	-258	-	-148	-	-207	-	-168	-	-1,597	-
<b>Operating income (EBIT)</b>	<b>1,942</b>	<b>2,990</b>	<b>3,606</b>	<b>3,815</b>	<b>529</b>	<b>934</b>	<b>1,603</b>	<b>1,946</b>	<b>2,546</b>	<b>3,087</b>	<b>-569</b>	<b>-432</b>	<b>9,657</b>	<b>12,341</b>
Operating margin (EBIT)	11.5%	16.5%	21.2%	21.3%	5.8%	10.1%	16.5%	18.8%	12.9%	14.2%	-	-	13.5%	16.2%
Capital employed	13,275	13,865	15,749	16,095	11,803	12,048	11,331	15,615	18,291	18,379	-98	-71	70,351	75,932
- of which goodwill	8,348	8,571	11,012	11,190	7,920	7,752	8,784	11,121	11,480	11,696	-	-	47,544	50,330
- of which other intangible assets and property, plant and equipment	3,296	3,567	3,516	3,310	3,900	3,789	2,499	4,064	4,282	4,273	125	140	17,618	19,144
- of which investments in associates	9	9	-	-	496	519	-	17	1,605	1,699	-	-	2,109	2,243
Return on capital employed excluding items affecting comparability	19.9%	21.4%	25.0%	24.2%	6.6%	7.8%	16.6%	14.4%	15.7%	16.4%	-	-	16.5%	16.6%
Operating income (EBIT)	1,942	2,990	3,606	3,815	529	934	1,603	1,946	2,546	3,087	-569	-432	9,657	12,341
Restructuring costs	781	-	34	-	258	-	148	-	207	-	168	-	1,597	-
Depreciation and amortization	402	421	330	333	283	310	296	353	257	255	11	15	1,580	1,688
Net capital expenditure	-472	-571	-372	-466	-211	-337	-238	-297	-157	-273	-28	-30	-1,478	-1,975
Change in working capital	-75	136	-152	-191	705	-48	-86	-271	-141	-4	-188	30	62	-347
<b>Cash flow</b>	<b>2,577</b>	<b>2,977</b>	<b>3,447</b>	<b>3,491</b>	<b>1,564</b>	<b>859</b>	<b>1,724</b>	<b>1,732</b>	<b>2,713</b>	<b>3,065</b>	<b>-607</b>	<b>-417</b>	<b>11,418</b>	<b>11,706</b>
Non-cash items	-	-	-	-	-	-	-	-	-	-	-354	-221	-354	-221
Interest paid and received	-	-	-	-	-	-	-	-	-	-	-597	-557	-597	-557
<b>Operating cash flow</b>	-	-	-	-	-	-	-	-	-	-	-	-	<b>10,467</b>	<b>10,929</b>
Average number of employees	10,835	11,033	8,961	8,836	12,481	11,756	3,907	4,328	10,505	11,211	240	264	46,928	47,426

<sup>1)</sup> Items affecting comparability consist of restructuring costs.

## Financial information - Notes

### NOTE 1 DISAGGREGATION OF REVENUE

#### Sales by continent

SEK M	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Europe	3,864	4,214	10	11	113	125	674	624	2,522	2,643	-143	-151	7,041	7,466
North America	112	105	4,112	3,959	138	160	1,053	1,193	2,120	2,255	-106	-125	7,429	7,546
Central- and South America	25	18	412	354	8	8	92	92	17	21	-8	-6	547	488
Africa	149	192	6	2	2	2	64	89	15	13	-7	-5	229	293
Asia	231	222	24	27	1,210	1,256	525	413	292	274	-27	-28	2,255	2,164
Oceania	23	24	1	1	446	408	73	65	121	116	-24	-21	641	593
<b>Total</b>	<b>4,404</b>	<b>4,775</b>	<b>4,566</b>	<b>4,354</b>	<b>1,917</b>	<b>1,959</b>	<b>2,481</b>	<b>2,477</b>	<b>5,087</b>	<b>5,322</b>	<b>-314</b>	<b>-337</b>	<b>18,142</b>	<b>18,550</b>

#### Sales by product group

SEK M	EMEA		Americas		Asia Pacific		Global Technologies		Entrance Systems		Other		Total	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Mechanical locks, lock systems and fittings	2,319	2,455	1,857	1,699	1,048	1,071	22	7	2	2	-157	-165	5,091	5,070
Electromechanical and electronic locks	1,345	1,516	635	757	384	418	2,432	2,426	194	209	-115	-131	4,876	5,195
Security doors and hardware	655	720	2,061	1,884	483	465	-	-	-	-	-12	-17	3,187	3,052
Entrance automation	85	85	12	14	2	5	28	43	4,890	5,111	-30	-24	4,988	5,233
<b>Total</b>	<b>4,404</b>	<b>4,775</b>	<b>4,566</b>	<b>4,354</b>	<b>1,917</b>	<b>1,959</b>	<b>2,481</b>	<b>2,477</b>	<b>5,087</b>	<b>5,322</b>	<b>-314</b>	<b>-337</b>	<b>18,142</b>	<b>18,550</b>

### NOTE 2 BUSINESS COMBINATIONS

SEK M	Year		Q1	
	2017	2018	2017	2018
<b>Purchase prices</b>				
Cash paid for acquisitions during the year		6,501	305	937
Holdbacks and deferred considerations for acquisitions during the year		365	103	221
Adjustment of purchase prices for acquisitions in prior years		18	-	-2
<b>Total</b>		<b>6,885</b>	<b>408</b>	<b>1,156</b>
<b>Acquired assets and liabilities at fair value</b>				
Intangible assets		1,843	121	392
Property, plant and equipment		94	10	61
Financial assets		34	2	211
Inventories		232	35	80
Current receivables and investments		416	102	126
Cash and cash equivalents		187	25	116
Non-controlling interests		-3	0	-
Non-current liabilities		-289	-13	-160
Current liabilities		-592	-75	-103
<b>Total</b>		<b>1,922</b>	<b>208</b>	<b>723</b>
<b>Goodwill</b>		<b>4,962</b>	<b>201</b>	<b>433</b>
<b>Change in cash and cash equivalents due to acquisitions</b>				
Cash paid for acquisitions during the year		6,501	305	937
Cash and cash equivalents in acquired subsidiaries		-187	-25	-116
Paid considerations for acquisitions in prior years		511	166	146
<b>Total</b>		<b>6,825</b>	<b>445</b>	<b>967</b>

Fair value adjustments of acquired net assets from acquisitions made in previous periods are included in the above table.

### NOTE 3 FAIR VALUE AND CARRYING AMOUNT ON FINANCIAL ASSETS AND LIABILITIES

#### 31 March 2018

SEK M	Carrying amount	Fair value	Financial instruments at fair value		
			Level 1	Level 2	Level 3
<b>Financial assets</b>					
Financial assets at fair value through profit and loss	112	112		112	
Available-for-sale financial assets	12	12			
Loans and other receivables	14,409	14,409			
Derivative instruments - hedge accounting	60	60		60	
<b>Financial liabilities</b>					
Financial liabilities at fair value through profit and loss	1,768	1,768		174	1,594
Financial liabilities at amortized cost	32,090	32,038			
Derivative instruments - hedge accounting	30	30		30	

#### 31 December 2017

SEK M	Carrying amount	Fair value	Financial instruments at fair value		
			Level 1	Level 2	Level 3
<b>Financial assets</b>					
Financial assets at fair value through profit and loss	39	39		39	
Available-for-sale financial assets	11	11			
Loans and other receivables	13,785	13,785			
Derivative instruments - hedge accounting	68	68		68	
<b>Financial liabilities</b>					
Financial liabilities at fair value through profit and loss	1,660	1,660		100	1,559
Financial liabilities at amortized cost	30,821	30,831			
Derivative instruments - hedge accounting	11	11		11	

## Definitions of financial performance measures

### Organic growth

Change in sales for comparable units after adjustments for acquisitions and exchange rate effects.

### Operating margin (EBITDA)

Operating income before depreciation and amortization as a percentage of sales.

### Operating margin (EBITA)

Operating income before amortization of intangible assets recognized in business combinations, as a percentage of sales.

### Operating margin (EBIT)

Operating income as a percentage of sales.

### Profit margin (EBT)

Income before tax as a percentage of sales.

### Operating cash flow

See the table on operating cash flow for detailed information. For relationship between operating cash flow and cash flow from operating activities see the company's last Annual Report.

### Net capital expenditure

Investments in, less disposals of, intangible assets and property, plant and equipment.

### Depreciation and amortization

Depreciation and amortization of intangible assets and property, plant and equipment.

### Net debt

Interest-bearing liabilities less interest-bearing assets.

### Capital employed

Total assets less interest-bearing assets and non-interest-bearing liabilities including deferred tax liability.

### Equity ratio

Shareholders' equity as a percentage of total assets.

### Interest coverage ratio

Income before tax plus net interest divided by net interest.

### Return on shareholders' equity

Net income attributable to parent company's shareholders as a percentage of average parent company's shareholders equity.

### Return on capital employed

Income before tax plus net interest as a percentage of average capital employed excluding restructuring reserves.

### Earnings per share after tax and dilution

Net income excluding non-controlling interests divided by weighted average number of outstanding shares after any potential dilution.